

**LITTLETON ACADEMY
A COMPONENT UNIT OF ARAPAHOE COUNTY SCHOOL DISTRICT
NUMBER SIX**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**



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**LITTLETON ACADEMY
ROSTER OF ACADEMY OFFICIALS
YEAR ENDED JUNE 30, 2022**

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**LITTLETON ACADEMY
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INDEPENDENT AUDITORS' REPORT

Governing Board
Littleton Academy
Littleton, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Littleton Academy (the School), a component unit of Arapahoe County School District Number Six, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the entity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective July 1, 2021, the School adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, required pension schedules, and required OPEB schedules, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Roster of Academy Officials but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Broomfield, Colorado
October 28, 2022

**LITTLETON ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

As management of Littleton Academy (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2022.

Financial Highlights

At the close of the fiscal year, the School's governmental funds are reported as having a combined ending fund balance of \$7,714,474.

The School's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources (net position) at the close of the most recent fiscal year by \$507,008. Twenty seven percent (27%) of the School's liabilities is the net pension liability (\$5,044,384) reported as required by the Governmental Accounting Standards Board (GASB) Statement No. 68.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the School's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event occurs that gives rise to the change, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows during future fiscal periods (e.g., earned but unpaid salaries and benefits).

The government-wide statement of activities distinguishes functions/programs of the School supported primarily by per pupil revenue (PPR) or property taxes passed through from Littleton Public Schools (the District). The governmental activities of the School include instruction and supporting services expenses.

The government-wide financial statements can be found on pages 9-10 of this report.

**LITTLETON ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School are included as one category: governmental funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains three individual governmental funds, the General Fund, Operations and Technology Fund, and Building Corporation Fund. They are presented separately in the fund financial statements as they are classified as major funds.

The School adopts an annual appropriated budget for its General Fund and Operations and Technology Fund. A budgetary comparison statement has been provided for both funds to demonstrate compliance with the budget.

The Littleton Academy Building Foundation (the Foundation) is a nonprofit finance organization whose sole purpose is to acquire and lease facilities to the School for governmental use. The Foundation provides services entirely to the School. Due to this relationship, the Foundation is reported as if it were part of or blended with the School's operations as a special revenue fund.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 14 through 45.

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the School, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$507,008 at the close of the most recent fiscal year.

**LITTLETON ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

Condensed Statement of Net Position

	June 30,	
	2022	2021
ASSETS		
Current and Other Assets	\$ 10,513,892	\$ 3,415,193
Capital Assets	8,795,050	5,125,732
Total Assets	19,308,942	8,540,925
DEFERRED OUTFLOW OF RESOURCES		
Deferred Loss on Refunding	254,786	235,701
Related to OPEB	20,973	14,700
Related to Pension	1,154,627	1,805,599
Total Deferred Outflow of Resources	1,430,386	2,056,000
LIABILITIES		
Current Liabilities	2,866,073	378,386
Noncurrent Liabilities	15,725,606	10,801,519
Total Liabilities	18,591,679	11,179,905
DEFERRED INFLOW OF RESOURCES		
Related to OPEB	93,509	95,144
Related to Pension	2,561,148	3,058,318
Total Deferred Inflow of Resources	2,654,657	3,153,462
NET POSITION		
Net Investment in Capital Assets	2,268,670	2,098,742
Restricted	5,604,607	703,090
Unrestricted	(8,380,285)	(6,538,274)
Total Net Position	\$ (507,008)	\$ (3,736,442)

Twenty seven percent (27%) of the School's liabilities is the net pension liability (\$5,044,384) reported as required by the Governmental Accounting Standards Board (GASB) Statement No. 68. Additional information on the pension liability can be found in Note 7 to the School's financial statements.

**LITTLETON ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

Condensed Statement of Activities

	Years Ended	
	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Program Revenue:		
Charges for Services	\$ 86,679	\$ 80,652
Operating Grants and Contributions	181,147	381,080
Capital Grants and Contributions	<u>1,838,517</u>	<u>137,968</u>
Total Program Revenue	<u>2,106,343</u>	<u>599,700</u>
 General Revenue:		
Per Pupil Revenue	3,916,217	3,573,522
District Mill Levy	942,377	817,909
Investment Income	<u>22,081</u>	<u>5,345</u>
Total General Revenue	<u>4,880,675</u>	<u>4,396,776</u>
 Total Revenue	<u>6,987,018</u>	<u>4,996,476</u>
 Expenses:		
Current:		
Instructional	2,191,191	3,219,589
Supporting Services	1,474,019	888,402
Interest on Long-Term Debt	<u>92,374</u>	<u>185,732</u>
Total Expenses	<u>3,757,584</u>	<u>4,293,723</u>
 Change in Net Position	3,229,434	702,753
 Net Position - Beginning of Year	<u>(3,736,442)</u>	<u>(4,439,195)</u>
 Net Position - End of Year	<u>\$ (507,008)</u>	<u>\$ (3,736,442)</u>

The School had a decrease of \$1,028,398 in instructional expenses from fiscal year 2021 to 2022 primarily due to an decrease in activity due to decreased grants revenue. Supporting services had an increase of \$585,617 which was primarily a result of a resumption in activity after COVID related restrictions.

Financial Analysis of the Government's Funds

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds: The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

**LITTLETON ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

Total revenues during fiscal year 2022 were \$5,698,587 with \$3,916,317 (69%) related to Per Pupil Revenue (PPR). During the current year of operations, the School reported a student count of 455. District mill levy was received through the District as a component of local revenue. Intergovernmental revenue represents money received from the state to assist with the School's capital needs. Other revenue includes fees paid by individual students for fieldtrips and instructional supplies. Contribution revenue represents monies given to the School from other sources, the majority of which were received from the Littleton Academy School's Association (LASA), the parent fundraising organization for the School. Investment earnings improved over the previous year.

General Fund Budgetary Highlights

The School approves a budget no later than June, based on enrollment projections for the following school year, and submits it to the District for approval. Actual revenues were greater than budgeted revenues by \$122,116. Actual expenditures were less than budgeted expenditures by \$345,342. The variances are related to purchased services and other expenditures that were greater than the amount in the original budget.

Capital Asset and Debt Administration

Capital assets: At June 30, 2022, the School's capital assets, net of accumulated depreciation were \$8,795,050, which represents an increase of \$3,669,318 compared to June 30, 2021. The increase was primarily a result of construction in progress of \$3,859,516.

Long-term debt: At June 30, 2022, the School's long-term debt are \$10,459,908. \$10,453,496 of this debt represents the long-term portion of the 2022 bonds, including bond premium. The balance increased \$6,912,151 from June 30, 2021 due to the issuance of new debt which refunded the previous building loan.

Additional information on capital assets and long-term debt can be found in Notes 3 and 5, respectively, to the School's financial statements.

Economic Factors and Next Year's Budget:

The primary aspect driving the budget for the School is the future of the Colorado state budget and related Per Pupil Revenue for K-12 education. The School has been conservative when preparing its three-year budget. The School continues to monitor the state legislature and economic news and is confident in its preparation for ongoing funding challenges in the years to come.

Requests for Information

This financial report is designed to provide a general overview of Littleton Academy's finances for all those with an interest in the School. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Littleton Academy Charter School
1200 West Mineral Avenue
Littleton, CO 80120

**LITTLETON ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2022**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 3,096,760
Restricted Cash and Investments	6,337,167
Accounts Receivable	1,028,314
Prepaid Assets	51,651
Capital Assets, Not Depreciated	4,974,465
Capital Assets, Depreciated, Net of Accumulated Depreciation and Amortization	3,820,585
Total Assets	19,308,942
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Loss on Refunding	254,786
Related to OPEB	20,973
Related to Pension	1,154,627
Total Deferred Outflows of Resources	1,430,386
LIABILITIES	
Accounts and Contracts Payable	2,553,131
Accrued Salaries and Benefits	240,221
Unearned Revenue	6,066
Accrued Interest	66,655
Noncurrent Liabilities:	
Due Within One Year	65,434
Due in More Than One Year	10,394,474
Net OPEB Liability	221,314
Net Pension Liability	5,044,384
Total Liabilities	18,591,679
DEFERRED INFLOWS OF RESOURCES	
Related to OPEB	93,509
Related to Pension	2,561,148
	2,654,657
NET POSITION	
Net Investment in Capital Assets	2,268,670
Restricted:	
TABOR	143,800
Capital Projects	496,888
Debt Service	4,963,919
Repair and Replacement	-
Unrestricted	(8,380,285)
Total Net Position	\$ (507,008)

See accompanying Notes to Financial Statements.

**LITTLETON ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities					Governmental Activities
Instructional	\$ 2,191,191	\$ -	\$ 181,147	\$ -	\$ (2,010,044)
Supporting Services	1,474,019	86,679	-	1,838,517	451,177
Interest on Long-Term Debt	92,374	-	-	-	(92,374)
Total Government Activities	<u>\$ 3,757,584</u>	<u>\$ 86,679</u>	<u>\$ 181,147</u>	<u>\$ 1,838,517</u>	(1,651,241)
General Revenues:					
Per Pupil Revenue					3,916,217
District Mill Levy					942,377
Investment Income					22,081
Total General Revenues					<u>4,880,675</u>
CHANGE IN NET POSITION					3,229,434
Net Position - Beginning of Year					<u>(3,736,442)</u>
NET POSITION - END OF YEAR					<u>\$ (507,008)</u>

See accompanying Notes to Financial Statements.

**LITTLETON ACADEMY
BALANCE SHEET — GOVERNMENTAL FUNDS
JUNE 30, 2022**

	General	Building Corporation Fund	Operations and Technology Fund	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 2,599,872	\$ -	\$ 496,888	\$ 3,096,760
Restricted Cash and Investments	-	6,337,167	-	6,337,167
Accounts Receivable	1,028,314	-	-	1,028,314
Prepaid Assets	-	51,651	-	51,651
Total Assets	<u>\$ 3,628,186</u>	<u>\$ 6,388,818</u>	<u>\$ 496,888</u>	<u>\$ 10,513,892</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts and Contracts Payable	\$ 1,194,887	\$ 1,358,244	\$ -	\$ 2,553,131
Accrued Salaries and Benefits	240,221	-	-	240,221
Unearned Revenue	6,066	-	-	6,066
Total Liabilities	<u>1,441,174</u>	<u>1,358,244</u>	<u>-</u>	<u>2,799,418</u>
FUND BALANCES				
Restricted:				
TABOR	143,800	-	-	143,800
Debt Service	-	5,030,574	-	5,030,574
Capital Projects	-	-	496,888	496,888
Assigned:				
Working Capital	230,808	-	-	230,808
Capital Projects	100,000	-	-	100,000
Technology	14,170	-	-	14,170
Unassigned	1,698,234	-	-	1,698,234
Total Fund Balances	<u>2,187,012</u>	<u>5,030,574</u>	<u>496,888</u>	<u>7,714,474</u>
Total Liabilities and Fund Balances	<u>\$ 3,628,186</u>	<u>\$ 6,388,818</u>	<u>\$ 496,888</u>	<u>\$ 10,513,892</u>

Amounts reported to governmental activities in the statement of net position are different because:

Total Fund Balances of Governmental Funds	\$ 7,714,474
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	8,795,050
Long-term liabilities, including loans payable, are not due and payable in the current period, and therefore, are not reported in the governmental funds.	
Building Loan Payable	(9,030,000)
Unamortized Premiums on Bonds	(1,423,496)
Leases Payable	(6,412)
Deferred Loss on Refunding	254,786
Accrued Interest Payable	(66,655)
Net OPEB Liability	(221,314)
Net Pension Liability	(5,044,384)
Deferred pension outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Related to OPEB	20,973
Related to Pension	1,154,627
Deferred pension inflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Related to OPEB	(93,509)
Related to Pension	(2,561,148)
Net Position of Governmental Activities	<u>\$ (507,008)</u>

See accompanying Notes to Financial Statements.

**LITTLETON ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES —
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022**

	General	Building Corporation Fund	Operations and Technology Fund	Total Governmental Funds
REVENUES				
Per Pupil Revenue	\$ 3,916,217	\$ -	\$ -	\$ 3,916,217
District Mill Levy	451,283	-	491,094	942,377
Charges for Services	86,679	-	-	86,679
Contributions	47,455	-	-	47,455
Intergovernmental Revenue	197,503	-	-	197,503
Other Revenue	133,692	352,583	-	486,275
Investment Income	6,293	14,652	1,136	22,081
Total Revenues	<u>4,839,122</u>	<u>367,235</u>	<u>492,230</u>	<u>5,698,587</u>
EXPENDITURES				
Current:				
Instruction	3,309,067	-	-	3,309,067
Supporting Services	1,497,009	4,901	376,153	1,878,063
Capital Outlay	8,035	2,247,097	-	2,255,132
Debt Service:				
Principal	1,623	175,000	-	176,623
Interest	71	155,912	-	155,983
Issuance Costs	-	384,267	-	384,267
Total Expenditures	<u>4,815,805</u>	<u>2,967,177</u>	<u>376,153</u>	<u>8,159,135</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	23,317	(2,599,942)	116,077	(2,460,548)
OTHER FINANCING SOURCES (USES)				
Leases	8,035	-	-	8,035
Transfers In	27,366	-	-	27,366
Transfers Out	-	(27,366)	-	(27,366)
Bond Proceeds	-	9,030,000	-	9,030,000
Bond Premium	-	1,435,781	-	1,435,781
Payments to Escrow Agent	-	(3,407,061)	-	(3,407,061)
Total Other Financing Sources (Uses)	<u>35,401</u>	<u>7,031,354</u>	<u>-</u>	<u>7,066,755</u>
NET CHANGE IN FUND BALANCES	58,718	4,431,412	116,077	4,606,207
Fund Balances - Beginning of Year	<u>2,128,294</u>	<u>599,162</u>	<u>380,811</u>	<u>3,108,267</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,187,012</u>	<u>\$ 5,030,574</u>	<u>\$ 496,888</u>	<u>\$ 7,714,474</u>

See accompanying Notes to Financial Statements.

**LITTLETON ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances of Governmental Funds	\$ 4,606,207
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Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities:

Capital Outlay	2,164,799
Contributed Capital Assets	1,702,752
Depreciation Expense	(198,233)

The issuance of long-term debt provides current financial resources to funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Neither transaction, however, has any effect on net position.

Principal Payments on Bonds and Leases	176,623
Refunding Bonds Issued	(9,030,000)
Premium on Refunding Bonds Issued	(1,435,781)
Payment to Bond Refunding Escrow Agent	3,407,061
Deferred Loss on Refunding	258,375

Governmental funds report the effect of premiums, discounts, and deferred losses on refunding when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Amortization of Premiums and Discounts on Bonds	19,958
Amortization of Deferred Loss on Refunding	(289,301)

Interest payable on debt is not recorded on the fund statements because it is not a current use of cash. Interest is accrued on the government-wide statements since the liability is to be paid in the near term.

4,805

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The (increases) decreases in these activities consist of:

Change in OPEB	21,912
Change in Pension	1,820,257

Change in Net Position of Governmental Activities	\$ 3,229,434
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**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Littleton Academy (the School) was organized pursuant to the Colorado Charter Schools Act, to form and operate a charter school within the Arapahoe County School District Number Six (the District). The School began operations in the fall of 1996.

The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. Following is a summary of the more significant policies.

Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes:

The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the exercise of financial accountability over such agencies by the governmental unit's elected officials. Financial accountability is derived from the governmental unit's power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Financial accountability implies that a governmental unit is dependent on another and the dependent unit should be reported as part of the other.

The School's charter was granted by the District and the majority of the School's funding is provided by the District. The School has been determined to be a component unit of the District.

Blended Component Unit

The Littleton Academy Building Foundation (the Foundation) is a nonprofit finance organization whose sole purpose is to acquire and lease facilities to the School for governmental use. The Foundation provides services entirely to the School. Due to the above relationships, the Foundation is reported as if it were part of or blended with the School's operations as a special revenue fund. No separate financial statements for the Foundation have been issued.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included as program revenues are reported instead as general revenues.

Fund Financial Statements

The accounts of the School are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

Major Governmental Funds

General Fund – This fund is the general operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund.

Building Corporation Fund – This fund is used to account for the activity of the Foundation.

Operations and Technology Fund – This fund is used to account for the funding of general facilities operations and maintenance, new technology, and existing technology upgrade needs.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases in net current assets and fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

All governmental funds use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 30 days after year-end: 90 days for state and federal grants. Grants and entitlement revenues are recognized when compliance with matching requirements is met.

A receivable is established when the related expenditures exceed revenue receipts, and an unearned revenue or deferred inflow account is established when receipts exceed the related expenditures.

Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first and the unrestricted resources, as they are needed.

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources
and Fund Balance/Net Position**

Investments – Investments are reported at net asset value.

Capital Assets – Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost value at the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land Improvements	20 Years
Buildings and Improvements	20-50 Years
Equipment	5-20 Years

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position (Continued)

Deferred Outflows of Resources – Littleton Academy’s governmental activities report a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. Littleton Academy has deferred outflows of resources related to 1) deferred loss on refunding; 2) GASB Statement No. 68 pension related items; and 3) GASB Statement No. 75 OPEB related items.

Long-Term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method and issuance costs are expensed. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources.

Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Leases – The School determines if an arrangement is a lease at inception. Leases are included in capital assets and lease liabilities in the statement of net position.

Lease assets represent the School’s control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payment made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the School’s obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option.

The School has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses are incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position. For individual lease contracts where information about the discount rate implicit in the lease is not included, the School has elected to use the incremental borrowing rate to calculate the present value of expected lease payments.

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position (Continued)

Net Pension and OPEB Liabilities – The School’s governmental activities report a net pension and OPEB liability as of June 30, 2022. The School is required to report its proportionate share of PERA’s unfunded Pension and OPEB Liabilities. See Notes 7 and 8 for additional information.

Deferred Inflows of Resources – The School’s governmental activities report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The School reports deferred inflows of resources due to GASB Statement No. 68 pension related items and GASB Statement No. 75 OPEB related items. See Notes 7 and 8 for additional information.

On-Behalf Payments – GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third-party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of Colorado makes direct on-behalf payments for retirement benefits to Colorado PERA.

Defined Benefit Pension Plan – The School participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees’ Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB) – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Health Care Trust Fund (HCTF) administered by the Public Employees’ Retirement Association of Colorado (PERA) and additions to/deductions from the HCTF’s fiduciary net position have been determined on the same basis as they are reported by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value.

Net Position – The government-wide financial statements utilize a net position presentation. Net position is categorized as net investments in capital assets, restricted, and unrestricted and are as follows:

- Net Investment in Capital Assets is intended to reflect the portion of net position which are associated with nonliquid capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position (Continued)

- Restricted Net Position are liquid assets, which have third-party limitations on their use.
- Unrestricted Net Position represents assets that do not have any third-party limitation on their use. While management may have categorized and segmented portions for various purposes, the board of directors has the unrestricted authority to revisit or alter these managerial decisions.

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The School did not have any nonspendable resources as of June 30, 2022.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. Restricted balances relate to Emergency Reserves in the General Fund and required debt restrictions in the Building Corporation Fund and remaining fund balance of the Operations and Technology Fund.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Governing Board.

These amounts cannot be used for any other purpose unless the Governing Board removes or changes the specified use by taking the same type of action (i.e., resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2022.

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position (Continued)

- Assigned – This classification includes amounts that are subject to a purpose constraint that represents an intended use, but does not meet the criteria to be classified as restricted or committed. The purpose of this assignment must be narrower than the purpose of the General Fund. The assigned fund balance is \$344,978 as of June 30, 2022.
- Unassigned – This classification includes the residual fund balance for the General Fund.

When both restricted and unrestricted resources are available, the School would typically use restricted fund balances first, followed by committed then assigned, then unassigned.

NOTE 2 CASH AND INVESTMENTS

Cash and investments are reported in the financial statements at June 30, 2022 as follows:

Cash Held by the District	\$ 3,096,760
Investments	6,337,167
Total	<u>\$ 9,433,927</u>
Cash and Investments	\$ 3,096,760
Restricted Cash and Investments	6,337,167
Total	<u>\$ 9,433,927</u>

Deposits

The School's deposits are governed by Colorado statute. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all uninsured public deposits as a group is to be maintained by another institution or held in trust. The fair value of the collateral must be at least equal to the aggregate uninsured deposits.

The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At June 30, 2022, the School's cash held by the District includes equity in pooled cash maintained by the District, all of which was covered by federal depository insurance or collateralized under PDPA.

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include:

- Obligations of the United States and certain U.S. Government Agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

Investments at June 30, 2022 consist of the following:

	Maturity	Fair Value
COLOTRUST (Government Investment Pool)	Less Than One Year	\$ 6,337,167

Interest Rate Risk is the extent to which changes in interest rates will adversely affect the fair value of an investment. The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. State statutes generally limit the maturity of investment securities to five years from the date of purchase unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments for school districts to U.S. Treasury issues, other federally backed notes and credits, and other agency offerings without limitation. Other investment instruments including bank obligation, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds that are organized according to the Federal Investment Company Act of 1940, as specified in rule 2a-7, as amended, as long as such rule does not increase remaining maturities beyond a maximum of three years. Investments in these funds require that the institutions have assets in excess of \$1 billion or the highest credit rating from one or more of a nationally recognized rating agency. The School does not have a formal policy for credit risk.

Concentration of Credit Risk – state statutes do not generally limit the amount the School may invest in one issuer. The School does not have a formal policy for concentration of credit risk.

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

ColoTrust – The School invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust); an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00.

The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. The Trust records its investments at fair value and the School records its investment in the Trust using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Restricted Cash and Investments

Cash and investments of \$6,337,167 have been restricted by the Building Corporation fund for debt service and building repairs.

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2022 is summarized below

	Balance June 30, 2021	Additions	Disposals	Balance June 30, 2022
Governmental Activities				
Capital Assets, Not Depreciated:				
Land	\$ 1,019,806	\$ -	\$ -	\$ 1,019,806
Construction in Process	95,143	3,859,516	-	3,954,659
Total Capital Assets, Not Depreciated	<u>1,114,949</u>	<u>3,859,516</u>	<u>-</u>	<u>4,974,465</u>
Capital Assets, Being Depreciated:				
Land Improvements	286,101	-	-	286,101
Building and Improvements	6,124,502	-	-	6,124,502
Equipment	57,200	-	-	57,200
Total Capital Assets, Being Depreciated	<u>6,467,803</u>	<u>-</u>	<u>-</u>	<u>6,467,803</u>
Lease Assets, Being Amortized				
Equipment	-	8,035	-	8,035
Total Lease Assets, Being Amortized	<u>-</u>	<u>8,035</u>	<u>-</u>	<u>8,035</u>
Less Capital Asset Accumulated Depreciation				
Land Improvements	(200,424)	(14,305)	-	(214,729)
Building Improvements	(2,240,267)	(178,480)	-	(2,418,747)
Equipment	(16,329)	(4,778)	-	(21,107)
Total Capital Asset Accumulated Depreciation	<u>(2,457,020)</u>	<u>(197,563)</u>	<u>-</u>	<u>(2,654,583)</u>
Less Lease Asset Accumulated Amortization				
Equipment	-	(670)	-	(670)
Total Lease Asset Accumulated Amortization	<u>-</u>	<u>(670)</u>	<u>-</u>	<u>(670)</u>
Total Capital Assets, Being Depreciated, Net	<u>4,010,783</u>	<u>(197,563)</u>	<u>-</u>	<u>3,813,220</u>
Total Lease Assets, Being Amortized, Net	<u>-</u>	<u>7,365</u>	<u>-</u>	<u>7,365</u>
Total Assets	<u>\$ 5,125,732</u>	<u>\$ 3,669,318</u>	<u>\$ -</u>	<u>\$ 8,795,050</u>

Depreciation expense of \$198,233 was charged to instruction (\$150,878) and to supporting services (\$47,354) for the year ended June 30, 2022.

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July but are earned during a school year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2022 were \$240,221 in the General Fund.

NOTE 5 LONG-TERM DEBT

Following is a summary of the School's long-term debt transactions for the year ended June 30, 2022:

	Balance (1)			Balance		
	June 30, 2021	Additions	Retirements	June 30, 2022	Current	Long-Term
Building Loan (Direct Borrowing)	\$ 3,580,000	\$ -	\$ (3,580,000)	\$ -	\$ -	\$ -
Building Loan Discount	(32,243)	-	32,243	-	-	-
Refunding Bonds	-	9,030,000	-	9,030,000	-	9,030,000
Refunding Bond Premium	-	1,435,781	(12,285)	1,423,496	63,895	1,359,601
Leases Payable	-	8,035	(1,623)	6,412	1,539	4,873
Total	\$ 3,547,757	\$ 10,473,816	\$ (3,561,665)	\$ 10,459,908	\$ 65,434	\$ 10,394,474

On January 20, 2022, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$9,030,000 Charter School Revenue Refunding Bonds (not including bond premium), Series 2022 A & B, to refund CECFA's outstanding Series 2006 Bonds. Approximately \$2.2 million of proceeds of the Series 2022 A & B Bonds were used by the Foundation to remodel the School's building. The School is obligated under a lease agreement to make monthly lease payments to the Foundation for using the building. The Building Corporation fund is required to make semi-annual loan payments to the Trustee for payment of the bonds. The School's lease payments are used by the Building Corporation fund to make loan payments (refer to Note 6). Bond interest payments are due semi-annually on January 1 and July 1, with interest accruing at rate of 4%. Principal payments are due annually on July 1, through 2056. There are no unused lines of credit and no assets pledged as collateral in relation to this loan.

Annual debt service requirements to maturity for the long-term debt transactions are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ -	\$ 338,821	\$ 338,821
2024	135,000	356,688	491,688
2025	140,000	352,938	492,938
2026	140,000	347,400	487,400
2027	145,000	341,700	486,700
2028-2032	820,000	1,614,200	2,434,200
2033-2037	995,000	1,433,500	2,428,500
2038-2042	1,210,000	1,213,400	2,423,400
2043-2047	1,475,000	946,300	2,421,300
2048-2052	1,790,000	620,400	2,410,400
2053-2057	2,180,000	225,000	2,405,000
Total	\$ 9,030,000	\$ 7,790,346	\$ 16,820,346

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 LONG-TERM DEBT (CONTINUED)

Lease

In 2022, the School entered into a lease agreement for copier equipment with a lease term of five years. The carrying amount of the capital asset under this agreement is \$8,035, including \$670 of depreciation for the year ended June 30, 2022.

The principal and interest requirements to maturity of the lease are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2023	\$ 1,539	\$ 155	\$ 1,694
2024	1,581	113	1,694
2025	1,624	70	1,694
2026	1,668	26	1,694
2027	-	-	-
Total Minimum Lease Payments	<u>\$ 6,412</u>	<u>\$ 364</u>	<u>\$ 6,776</u>

NOTE 6 INTRA-ENTITY LEASE

The School leases its building from the Building Corporation. The lease requires monthly payments, which approximate to the Building Corporation's required payments on the bonds (see Note 5). Rent expenditure was \$352,583 for the year ended June 30, 2022 and is included in supporting services expenditures in the General Fund. The future minimum lease payment schedule is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ -	\$ 338,821	\$ 338,821
2024	135,000	356,688	491,688
2025	140,000	352,938	492,938
2026	140,000	347,400	487,400
2027	145,000	341,700	486,700
2028-2032	820,000	1,614,200	2,434,200
2033-2037	995,000	1,433,500	2,428,500
2038-2042	1,210,000	1,213,400	2,423,400
2043-2047	1,475,000	946,300	2,421,300
2048-2052	1,790,000	620,400	2,410,400
2053-2057	2,180,000	225,000	2,405,000
Total	<u>\$ 9,030,000</u>	<u>\$ 7,790,346</u>	<u>\$ 16,820,346</u>

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description

Eligible employees of Littleton Academy are provided with pensions through the SCHDTF—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided as of December 31, 2021

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

Benefits Provided as of December 31, 2021 (Continued)

In all cases the service retirement benefit is limited to 100% of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive postretirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lessor of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions Provisions as of June 30, 2022: Eligible employees of Littleton Academy and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 10.50% of their PERA-includable salary during the period of July 1, 2021 through June 30, 2022. Employer contribution requirements are summarized in the table below:

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

Benefits Provided as of December 31, 2021 (Continued)

	July 1, 2021 Through <u>June 30, 2022</u>
Employer Contribution Rate ¹	10.90 %
Amount of Employer Contribution Apportioned to the health Care Trust Fund as Specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%
Amount Apportioned to the SDTF ¹	9.88 %
Amortization Equalization Disbursement (AED) as Specified in C.R.S. § 24-51-411 ¹	4.50 %
Supplemental Amortization Equalization Disbursement (SAED) as Specified in C.R.S. § 24-51-411 ¹	<u>5.50 %</u>
Total Employer Contribution Rate to the SDTF ¹	<u>19.88 %</u>

¹ Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and Littleton Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Littleton Academy were \$508,909 for the year ended June 30, 2022.

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, and Denver Public Schools Division Trust Fund. In addition to the \$225 million (actual dollars) direct distribution due July 1, 2022, House Bill (HB) 22-1029, instructs the State treasurer to issue a warrant to PERA in the amount of \$380 million (actual dollars), upon enactment, with reductions to future direct distributions schedule to occur July 1, 2023 and July 1, 2024.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for the SCHDTF was measured as of December 31, 2021, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll forward the TPL to December 31, 2021. The Littleton Academy proportion of the net pension liability was based on Little Academy's contributions to the SCHDTF for the calendar year 2021 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At June 30, 2022, Littleton Academy reported a liability of \$5,622,658 for its proportionate share of net pension liability that reflected an increase for support from the State as a nonemployer contributing entity. The amount recognized by Littleton Academy as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with Littleton Academy were as follows:

School's Proportionate Share of the Net Pension Liability	\$ 5,044,384
State's Proportionate Share of the Net Pension Liability Associated with the School	578,274
Total	<u>\$ 5,622,658</u>

At December 31, 2021, Littleton Academy's proportion was 0.043364%, which was a decrease of 0.003078% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, Littleton Academy recognized pension expense of \$1,551,601 and revenue of \$61,738 for support from the State as a nonemployer contributing entity. At June 30, 2022, Littleton Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 193,119	\$ -
Changes of Assumptions or Other Inputs	385,101	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,896,538
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	307,751	664,610
Contributions Subsequent to the Measurement Date	268,656	-
Total	<u>\$ 1,154,627</u>	<u>\$ 2,561,148</u>

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$268,656 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ (213,980)
2024	(689,042)
2025	(541,956)
2026	(230,199)
2027	-
Thereafter	-

Actuarial Assumptions

The TPL in the December 31, 2020, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price Inflation	2.30%
Real Wage Growth	0.70%
Wage Inflation	3.00%
Salary Increases, Including Wage Inflation	3.40 - 11.00%
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expenses, Including Price Inflation	7.25%
Discount Rate	7.25%
Future Post Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)	1% Compounded Annually
PERA Benefit Structure hired after December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

The TPL as of December 31, 2021, includes the anticipated adjustments to contribution rates and the AI cap, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

The mortality tables described below are generational mortality tables developed on a benefit-weighted basis.

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions (Continued)

Pre-retirement mortality assumptions were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Postretirement non-disabled mortality assumptions were based on the PubT-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Postretirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follow:

- **Males:** 97% of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105% of the rates for all ages, with generational projection using scale MP-2019

Disables mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the periods January 1, 2016, through December 31, 2019, and were adopted by PERA's Board during the November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions (Continued)

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Note: In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30-Year Expected Geometric Real Rate of Return</u>
Global Equity	54.00 %	5.60 %
Fixed Income	23.00	1.30
Private Equity	8.50	7.10
Real Estate	8.50	4.40
Alternatives	6.00	4.70
Total	<u>100.00</u>	

Discount Rate

The discount rate used to measure the TPL was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions (Continued)**

Discount Rate (Continued)

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in Senate Bill (SB) 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- Benefit payments and contributions were assumed to be made at the middle of the year.

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Discount Rate (Continued)

Based on the above assumptions and methods, the SCHDTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

Sensitivity of Littleton Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net Pension Liability	\$ 7,424,921	\$ 5,044,384	\$ 3,057,915

Pension Plan Fiduciary Net Position

Detailed information about the SCHDTF's FNP is available in PERA's ACFR which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 8 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

General Information about the OPEB Plan

Plan Description

Eligible employees of Littleton Academy are provided with OPEB through the HCTF – a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 8 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

General Information about the OPEB Plan (Continued)

Benefits Provided

The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four divisions (State Division, School Division, Local Government Division and Judicial Division Trust Funds), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 8 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

General Information about the OPEB Plan (Continued)

PERA Benefit Structure (Continued)

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

DPS Benefit Structure

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

Contributions

Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were \$25,060 for the year ended June 30, 2022.

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 8 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022, the School reported a liability of \$221,314 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2021, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll forward the TOL to December 31, 2021. The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021, the School's proportion was 0.02467% which was a decrease of 0.00010% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the School recognized OPEB income of \$9,412. At June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 337	\$ 52,476
Changes of Assumptions or Other Inputs	4,582	12,005
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	13,699
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	3,554	15,329
Contributions Subsequent to the Measurement Date	12,500	-
Total	<u>\$ 20,973</u>	<u>\$ 93,509</u>

\$12,500 reported as deferred outflows of resources related to OPEB resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2023	\$ (23,433)
2024	(24,717)
2025	(23,112)
2026	(12,128)
2027	(1,492)
Thereafter	(155)

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 8 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial Assumptions

The TOL in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs:

	Trust Fund			
	State Division	School Division	Local Government Division	Judicial Division
Actuarial Cost Method			Entry Age	
Price Inflation			2.30%	
Real Wage Growth			0.70%	
Wage Inflation			3.00%	
Salary Increases, Including Wage Inflation				
Members other than State Troopers	3.30%-10.90%	3.40%-11.00%	3.20%-11.30%	2.80%-5.30%
State Troopers	3.20%-12.40%	N/A	3.20%-12.40%	N/A
Long-Term Investment Rate of Return, Net of OPEB Plan Investment Expenses, Including Price Inflation			7.25%	
Discount rate			7.25%	
Health Care Cost Trend Rates				
Service-based Premium Subsidy			0.00%	
PERACare Medicare Plans			4.50% in 2021, 6.00% in 2022, 4.50% in 2029	
Medicare Part A Premiums			3.75% for 2021, gradually increasing to 4.50% in 2029	
DPS benefit structure				
Service-based Premium Subsidy			0.00%	
PERACare Medicare Plans			N/A	
Medicare Part A Premiums			N/A	

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 8 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial Assumptions (Continued)

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2020, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2021 for the PERA Benefit Structure:

	Initial Costs for Members Without Medicare Part A		
	Monthly Cost	Monthly Premium	Monthly Cost Adjusted to Age 65
Medicare Advantage/Self-Insured Prescription	\$ 633	\$ 230	\$ 591
Kaiser Permanente Medicare Advantage HMO	596	199	562

The 2021 Medicare Part A premium is \$471 (actual dollars) per month.

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2020, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the TOL are summarized in the table below:

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 8 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial Assumptions (Continued)

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
2021	4.50%	3.75%
2022	6.00%	3.75%
2023	5.80%	4.00%
2024	5.60%	4.00%
2025	5.40%	4.00%
2026	5.10%	4.25%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions used in the December 31, 2020 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the determination of the YOL for the HCTF. All affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Pre-retirement mortality assumptions for the State and Local Government Divisions (members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee Table with generational projection using scale MP-2019.

Postretirement non-disabled mortality assumptions for the State and Local Government Divisions (members other than State Troopers) were based on the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94% of the rates prior to age 90 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 8 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial Assumptions (Continued)

Postretirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Postretirement non-disabled mortality assumptions for the School Division were based on the PubT-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Postretirement non-disabled mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019.

Postretirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97% of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105% of the rates for all ages, with generational projection using scale MP-2019.

Disables mortality assumptions for members other than State Troopers were based upon the Pub NS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The following health care cost assumptions were updated and used in the roll-forward calculation for the Trust Fund:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2021 plan year.

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 8 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial Assumptions (Continued)

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increased in rates of inflation applicable to Medicare Part A premiums.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by PERA Board's actuary, as discussed above.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, and were adopted by the PERA Board at the November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives ¹	6.00%	4.70%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal rate of return assumption of 7.25%.

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 8 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the School's proportionate share of the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
Initial PERACare Medicare Trend Rate	3.50%	4.50%	5.50%
Ultimate PERACare Medicare Trend Rate	3.50%	4.50%	5.50%
Initial Medicare Part A Trend Rate	2.75%	3.75%	4.75%
Ultimate Medicare Part A Trend Rate	3.50%	4.50%	5.50%
Proportionate Share of the Net OPEB Liability	<u>\$ 214,959</u>	<u>\$ 221,314</u>	<u>\$ 228,677</u>

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2020, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars to the HCTF representing a portion of purchase services agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 8 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Discount Rate (Continued)

Based on the above assumptions and methods, the HCTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate and, therefore, the discount rate is 7.25 percent.

Sensitivity of the Littleton Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Littleton Academy's proportionate share of the net OPEB liability, as well as what the Littleton Academy's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current discount rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net OPEB Liability	\$ 257,033	\$ 221,314	\$ 190,804

OPEB Plan Fiduciary Net Position

Detailed information about the HCTF plan's fiduciary net position is available in the separately issued comprehensive annual financial report issued by PERA. That report can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 9 COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government.

**LITTLETON ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 TAX, SPENDING. AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue, and debt limitations, which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation. The School believes it has complied with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2022, the reserve of \$143,800 was recorded as a restriction of fund balance in the General Fund.

NOTE 11 RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees, and natural disasters. The School participates in the District's risk management programs for workers' compensation claims, liability, and property coverage. Settled claims have not exceeded coverage for the past three years.

LITTLETON ACADEMY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2022

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Per Pupil Revenue	\$ 3,874,436	\$ 3,916,217	\$ 41,781
District Mill Levy	451,283	451,283	-
Charges for Services	62,158	86,679	24,521
Contributions	57,983	47,455	(10,528)
Intergovernmental Revenue	132,568	197,503	64,935
Other Revenue	133,578	133,692	114
Investment Income	5,000	6,293	1,293
Total Revenues	<u>4,717,006</u>	<u>4,839,122</u>	<u>122,116</u>
EXPENDITURES			
Instruction	3,723,888	3,309,067	414,821
Support Services	1,396,751	1,497,009	(100,258)
Capital Outlay	37,120	8,035	29,085
Debt Service:			
Principal	-	1,623	1,623
Interest	-	71	71
Total Expenditures	<u>5,157,759</u>	<u>4,815,805</u>	<u>345,342</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(440,753)	23,317	(223,226)
OTHER FINANCING SOURCES (USES)			
Leases	-	8,035	8,035
Transfers In	-	27,366	27,366
NET CHANGE IN FUND BALANCES	(440,753)	58,718	(187,825)
Fund Balances - Beginning of Year	<u>2,168,046</u>	<u>2,128,294</u>	<u>(39,752)</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 1,727,293</u></u>	<u><u>\$ 2,187,012</u></u>	<u><u>\$ (227,577)</u></u>

**LITTLETON ACADEMY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – OPERATIONS AND TECHNOLOGY FUND
YEAR ENDED JUNE 30, 2022**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
District Mill Levy	\$ 458,678	\$ 491,094	\$ 32,416
Investment Income	-	1,136	1,136
Total Revenues	<u>458,678</u>	<u>492,230</u>	<u>33,552</u>
EXPENDITURES			
Salaries and Benefits	-	-	-
Purchased Services and Other	407,432	376,153	31,279
Capital Outlay	100,000	-	100,000
Total Expenditures	<u>507,432</u>	<u>376,153</u>	<u>131,279</u>
NET CHANGE IN FUND BALANCES	(48,754)	116,077	164,831
Fund Balances - Beginning of Year	<u>370,231</u>	<u>380,811</u>	<u>10,580</u>
FUND BALANCES - END OF YEAR	<u>\$ 321,477</u>	<u>\$ 496,888</u>	<u>\$ 175,411</u>

**LITTLETON ACADEMY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

NOTE 1 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget was adopted for the General Fund and the Operations and Technology Fund for fiscal year 2022, on a basis consistent with generally accepted accounting principles with the exception of the on-behalf payments for retirement benefits to Colorado PERA paid by the State of Colorado. A budget was not adopted for the Building Corporation Fund for fiscal year 2022.

The School's management submits to the Governing Board (the Board) a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board prior to June 30.

Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year-end.

NOTE 2 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (NET PENSION LIABILITY) – FISCAL YEAR 2022

Changes in benefit terms and actuarial assumptions

Changes in assumptions or other input effective for the December 31, 2021 measurement period are as follows:

- The projected benefit payments reflect the lowered annual increase cap from 1.25 percent to 1.00 percent, resulting from the 2020 AAP assessment, effective July 1, 2022.
- Assumptions on employer and employee contributions were updated to include the additional 0.50% resulting from the 2020 AAP assessment, effective July 1, 2022.

Changes in assumptions or other input effective for the December 31, 2020 measurement period are as follows:

- The price inflation assumption was lowered from 2.40 percent to 2.30 percent, and the wage inflation assumption was lowered from 3.50 percent to 3.00 percent.
- The real rate of investment return assumption was increased to 4.95 percent per year, net of investment expenses from 4.85 percent per year, net of investment expenses.
- Salary scale assumptions were revised to align with the revised economic assumptions and to more closely reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

LITTLETON ACADEMY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022

NOTE 2 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (NET PENSION LIABILITY) – FISCAL YEAR 2022 (CONTINUED)

- The pre-retirement mortality assumption for the State Division (members other than State Troopers) was changed to the PubG-2010 Employee Table with generational projection using scale MP-2019.
- The pre-retirement mortality assumption for the Judicial Division was changed to the PubG-2010(A) Above Median Employee Table with generational projection using scale MP-2019.
- The postretirement non-disabled mortality assumption for the State Division (Members other than State Troopers) was changed to the PubG-2010 Health Retiree Table, adjusted as follows:
 - **Males:** 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
 - **Females:** 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- The postretirement non-disabled mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.
- The disabled mortality assumption for the Division Trust Funds (Members other than State Troopers) was changed to the PubNS-2010 Disabled Retiree Table with generational projection using scale MP-2019.
- The disability mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

Changes in assumptions or other input effective for the December 31, 2019 measurement period are as follows:

- The assumption used to value the annual increase (AI) cap benefit provision was changed from 1.50% to 1.25%.

Changes in assumptions or other inputs effective for the December 31, 2018 measurement period are as follows:

- The assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.72%

LITTLETON ACADEMY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022

NOTE 2 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (NET PENSION LIABILITY) – FISCAL YEAR 2022 (CONTINUED)

Changes in assumptions or other inputs effective for the December 31, 2017 measurement period are as follows:

- The discount rate was lowered from 5.26% to 4.72%.

Changes in assumptions or other inputs effective for the December 31, 2016 measurement period are as follows:

- The investment return assumption was lowered from 7.50% to 7.25%.
- The price inflation assumption was lowered from 2.80% to 2.40%.
- The real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for active employees, RP2014 Healthy Annuitant Mortality tables projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.
- The discount rate was lowered from 7.50% to 5.26%.

There were no changes in terms or assumptions for the December 31, 2015 measurement period for pension compared to the prior year.

There were no changes in terms or assumptions for the December 31, 2014 measurement period for pension compared to the prior year.

Changes in assumptions or other input effective for the December 31, 2013 measurement period are as follows:

- The investment return assumption was lowered from 8.00% to 7.50%
- The price inflation assumption was lowered from 3.50% to 2.80%
- The wage inflation assumption was lowered from 4.25% to 3.90%

**LITTLETON ACADEMY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

**NOTE 3 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (OTHER
POSTEMPLOYMENT BENEFITS) – FISCAL YEAR 2022 CHANGES IN BENEFIT TERMS
AND ACTUARIAL ASSUMPTIONS**

There were no changes in assumptions or other inputs effective for the December 31, 2021 measurement period for OPEB.

Changes in assumptions or other input effective for the December 31, 2020 measurement period are as follows:

- The price inflation assumption was lowered from 2.40 percent to 2.30 percent, and the wage inflation assumption was lowered from 3.50 percent to 3.00 percent.
- The real rate of investment return assumption was increased to 4.95 percent per year, net of investment expenses from 4.85 percent per year, net of investment expenses.
- Salary scale assumptions were revised to align with the revised economic assumptions and to more closely reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumption for the State Division (members other than State Troopers) was changed to the PubG-2010 Employee Table with generational projection using scale MP-2019.
- The pre-retirement mortality assumption for the Judicial Division was changed to the PubG-2010(A) Above Median Employee Table with generational projection using scale MP-2019.
- The postretirement non-disabled mortality assumption for the State Division (Members other than State Troopers) was changed to the PubG-2010 Health Retiree Table, adjusted as follows:
 - **Males:** 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
 - **Females:** 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- The postretirement non-disabled mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

LITTLETON ACADEMY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022

NOTE 3 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (OTHER POSTEMPLOYMENT BENEFITS) – FISCAL YEAR 2022 CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS (CONTINUED)

- The postretirement non-disabled mortality assumption for the Judicial Division was changed to the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019. The postretirement non-disability beneficiary mortality assumption for the Division Trust Funds was changed to the Pub-2010 Contingent Survivor Table, adjusted as follows:
 - **Males:** 97 percent of the rates for all ages, with generational projection using scale MP-2019.
 - **Females:** 105 percent of the rates for all ages, with generational projection using scale MP-2019.
- The disabled mortality assumption for the Division Trust Funds (Members other than State Troopers) was changed to the PubNS-2010 Disabled Retiree Table with generational projection using scale MP-2019.
- The disability mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

There were no changes in assumptions or other inputs effective for the December 31, 2019 measurement period for OPEB.

There were no changes in assumptions or other inputs effective for the December 31, 2018 measurement period for OPEB compared to the prior year.

There were no changes in assumptions or other inputs effective for the December 31, 2017 measurement period for OPEB.

**LITTLETON ACADEMY
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS**

Fiscal Year	2022	2021	2020	2019	2018	2017	2016	2015	2014
Plan Measurement Date	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
School's Proportion of the Net Pension Liability	0.0433464420%	0.0464244650%	0.0364477796%	0.0352424464%	0.0383684842%	0.0389301161%	0.0384831956%	0.0393594867%	0.0397120415%
School's Proportionate Share of the Net Pension Liability	\$ 5,044,384	\$ 7,018,443	\$ 5,445,219	\$ 6,240,399	\$ 12,392,738	\$ 11,591,001	\$ 5,885,733	\$ 5,334,533	\$ 5,065,260
State's Proportionate Share of the Net Pension Liability associated with the School**	578,274	-	690,657	853,288	-	-	-	-	-
Total	\$ 5,622,658	\$ 7,018,443	\$ 6,135,876	\$ 7,093,687	\$ 12,392,738	\$ 11,591,001	\$ 5,885,733	\$ 5,334,533	\$ 5,065,260
School's Covered Payroll	2,559,903	2,520,746	2,126,845	1,938,686	1,769,791	1,743,924	1,680,028	1,645,123	1,602,530
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	197.1%	278.4%	256.0%	321.9%	700.2%	664.7%	350.3%	324.3%	316.1%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.90%	67.00%	64.52%	57.01%	43.96%	43.1%	59.2%	62.8%	64.1%

* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2014

** HB 20-1379 suspended the direct distribution scheduled for July 1, 2020 in fiscal year 2021.

**LITTLETON ACADEMY
SCHEDULE OF PENSION CONTRIBUTIONS AND RELATED RATIOS
LAST 10 FISCAL YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily Required Contributions	\$ 508,909	\$ 469,531	\$ 425,404	\$ 385,441	\$ 352,964	\$ 322,583	\$ 303,083	\$ 282,872	\$ 258,669	\$ 239,433
Contributions in Relation to the Statutorily Required Contribution	<u>508,909</u>	<u>469,531</u>	<u>425,404</u>	<u>385,441</u>	<u>352,964</u>	<u>322,583</u>	<u>303,083</u>	<u>282,872</u>	<u>258,669</u>	<u>239,433</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	2,456,898	2,287,787	2,194,533	2,014,849	1,869,045	1,754,796	1,708,419	1,675,207	1,618,188	1,587,219
Contribution as a Percentage of Covered Payroll	20.70%	20.50%	19.38%	19.13%	18.88%	18.38%	17.74%	16.89%	15.99%	15.09%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30.

This schedule is presented to illustrate the requirement to show information for 10 years.

**LITTLETON ACADEMY
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS**

Fiscal Year	2022	2021	2020	2019	2018	2017
Plan Measurement Date	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
School's Proportion (Percentage) of the Collective Net OPEB Liability	0.02466543%	0.02476459%	0.02381908%	0.02290767%	0.02179957%	0.02208618%
School's Proportionate Share of the Collective Net OPEB Liability	221,314	235,319	267,726	311,668	282,998	286,900
Covered payroll	2,456,899	2,324,324	2,126,845	1,938,686	1,769,791	1,743,924
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	9.01%	10.12%	12.59%	16.08%	15.99%	16.45%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	39.40%	32.78%	24.49%	17.03%	17.53%	16.72%

* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2017 was not available.

**LITTLETON ACADEMY
SCHEDULE OF OPEB CONTRIBUTIONS AND RELATED RATIOS
LAST 10 FISCAL YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily Required Contributions	\$ 25,060	\$ 24,091	\$ 22,384	\$ 20,551	\$ 19,064	\$ 17,899	\$ 17,426	\$ 17,087	\$ 16,506	\$ 16,190
Contributions in Relation to the Statutorily Required Contribution	<u>25,060</u>	<u>24,091</u>	<u>22,384</u>	<u>20,551</u>	<u>19,064</u>	<u>17,899</u>	<u>17,426</u>	<u>17,087</u>	<u>16,506</u>	<u>16,190</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	2,456,899	2,361,824	2,194,533	2,014,849	1,869,045	1,754,796	1,708,419	1,675,207	1,618,188	1,587,219
Contribution as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30.

This schedule is presented to illustrate the requirement to show information for 10 years.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board
Littleton Academy
Littleton, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Littleton Academy, a component unit of Arapahoe County School District Number Six, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Littleton Academy's basic financial statements, and have issued our report thereon dated October 28, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Littleton Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Littleton Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Littleton Academy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Littleton Academy’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Broomfield, Colorado
October 28, 2022



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